

MANISTEE COUNTY TRANSPORTATION, INC.

MANISTEE COUNTY, MICHIGAN

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AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

MANISTEE COUNTY TRANSPORTATION, INC.  
MANISTEE, MICHIGAN  
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## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Manistee County Transportation, Inc.	County Manistee
Fiscal Year End September 30, 2006	Opinion Date January 3, 2007	Date Audit Report Submitted to State January 25, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

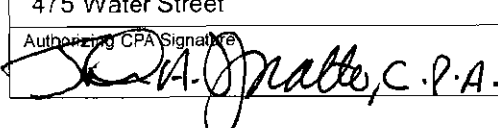
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Kalcher, Vanderwal & Torrey, P.C.		Telephone Number 231-723-6275	
Street Address 475 Water Street		City Manistee	State MI
		Zip 49660	
Authorizing CPA Signature 		Printed Name John A. Spratto, C.P.A.	License Number 16245

**KALCHER  
VANDERWAL  
TORREY, P.C.**

DALE L. VANDERWAL, C.P.A.  
LEE W. TORREY, C.P.A.  
JOHN A. SPRATTO, C.P.A.  
DAVID L. RICHARDS, C.P.A., A.B.V.

TRAVERSE CITY  
MANISTEE

**CERTIFIED PUBLIC ACCOUNTANTS  
INDEPENDENT AUDITOR'S REPORT**

Of Counsel:  
LEONARD R. KALCHER, C.P.A.

January 3, 2007

Board of Directors  
Manistee County Transportation, Inc.  
180 Memorial Drive  
Manistee, Michigan 49660

We have audited the financial statements of Manistee County Transportation, Inc. (a non-profit Michigan Corporation) as of and for the year ended September 30, 2006, as listed in the Table of Contents. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Michigan Department of Treasury "Audit Guide for Transportation Authorities and Agencies in Michigan." Those standards, and audit guide, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared in conformity with the accounting practices prescribed or permitted by the Michigan Department of Treasury "Audit Guide for Transportation Authorities and Agencies in Michigan," which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Manistee County Transportation, Inc., at September 30, 2006, and the results of its operations and the changes in financial position for the year then ended, in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2007, on our consideration of Manistee County Transportation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Manistee County Transportation, Inc. taken as a whole. The accompanying supplemental material presented in Schedules 1 through 7 has been subjected to the audit procedures applied in connection with our audit of those financial statements. This information, while not considered necessary for the fair presentation of the financial statements, results of operations and changes in financial position of the corporation, is, in our opinion, fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

*Kalcher, Vandewort & Toney, P.C.*  
Certified Public Accountants

MANISTEE COUNTY TRANSPORTATION, INC.  
BALANCE SHEET  
SEPTEMBER 30, 2006

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 521,650
Accounts Receivable	25,287
Property Taxes Receivable	226,217
Grants Receivable	46,492
Inventories	6,480
Total Current Assets	<u>\$ 826,126</u>

Property, Plant & Equipment

Land	\$ 55,038
Vehicles	2,439,454
Equipment	178,840
Leasehold Improvements	98,539
	<u>\$ 2,771,871</u>
Less: Accumulated Depreciation	<u>(1,886,325)</u>
Net Property, Plant & Equipment	<u>\$ 885,546</u>

Other Assets

Deferred Compensation Plan Assets	<u>\$ 433,100</u>
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TOTAL ASSETS	<u><u>\$ 2,144,772</u></u>
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## LIABILITIES AND FUND EQUITY

### Current Liabilities

Accounts Payable	\$ 28,224
Grants Payable	77,240
Accrued Salaries and Wages	25,974
Various Payroll Withholdings	546
Total Current Liabilities	<u>\$ 131,984</u>

### Long-term Liabilities

Compensated Absences	\$ 50,229
Deferred Compensation	433,100
Total Long-term Liabilities	<u>\$ 483,329</u>

Total Liabilities	<u>\$ 615,313</u>
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### Fund Equity

#### Contributed Capital:

State of Michigan	\$ 164,964
Federal Government	666,698
Total Fund Equity	<u>\$ 831,662</u>

<u>Retained Earnings</u>	<u>\$ 697,797</u>
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Total Fund Equity and Retained Earnings	<u>\$ 1,529,459</u>
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TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 2,144,772</u></u>
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The notes to the financial statements are an integral part of these statements.

MANISTEE COUNTY TRANSPORTATION, INC.  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Operating Revenues: (Schedule 1)		\$ 307,523
Operating Expenses: (Schedule 2)		<u>1,458,928</u>
Operating Loss		<u>\$ (1,151,405)</u>
Non-Operating Revenues		
Local (Schedule 3A)	\$ 333,249	
State and Federal (Schedule 3B)	<u>673,327</u>	<u>1,006,576</u>
Net Loss		\$ (144,829)
Add		
Depreciation on Fixed Assets Acquired by Grants, Entitlements, and Shared Revenues Restricted for Capital Acquisition		<u>\$ 315,523</u>
Increase in Retained Earnings		\$ 170,694
Retained Earnings - October 1, 2005	\$ 505,703	
Prior Period Adjustments	<u>21,400</u>	
Adjusted Retained Earnings - October 1, 2005		<u>527,103</u>
Retained Earnings - September 30, 2006		<u><u>\$ 697,797</u></u>

The notes to the financial statements are an integral part of these statements.



MANISTEE COUNTY TRANSPORTATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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Cash Flows from Operating Activities

Net Loss	\$ (144,829)
Adjustments to Reconcile Net Loss to	
Net Cash Provided by Operating Activities:	
Depreciation	320,081
Prior Period Adjustments	21,400
Decrease (Increase) In:	
Accounts Receivable	(3,969)
Property Taxes Receivable	(14,129)
Grants Receivable	(1,922)
Prepaid Expenses	12,638
Inventories	(3,263)
Increase (Decrease) In:	
Accounts Payable	13,714
Grants Payable	(64,251)
Accrued Payroll Liabilities	3,197
SEP/IRA Contributions Payable	(14,365)
Compensated Absences	(1,296)
Net Cash Used by Operating Activities	<u>\$ 123,006</u>
Net Increase in Cash	\$ 123,006
Cash and Cash Equivalents - Beginning of Year	<u>398,644</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 521,650</u></u>

The notes to the financial statements are an integral part of these statements.

MANISTEE COUNTY TRANSPORTATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

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**Note 1 - Description of Operations**

Manistee County Transportation, Inc., was established March 3, 1975, as a Michigan non-profit corporation. The Company contracts with the County of Manistee, Michigan, to provide public transportation services to the residents of the County of Manistee, Michigan, under the joint auspices of the Urban Mass Transportation Division of the Federal Department of Transportation and the Michigan Department of Transportation. The entity is governed by a seven (7) member board which in turn appoints the executive director.

**Note 2 - Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies of Manistee County Transportation, Inc.

**Basis of Accounting**

The accrual basis method of accounting is followed by Manistee County Transportation, Inc. The accrual basis provides that revenues are recorded when earned and expenditures are recorded when the related liability is incurred.

These financial statements are prepared under accounting principles prescribed by the Michigan Department of Treasury "Audit Guide for Transportation Authorities & Agencies in Michigan." This guide requires that federal, state and local capital grant money received be classified as contributed capital on the Balance Sheet. Under Generally Accepted Accounting Principles, grant money received would be classified as revenue on the Statement of Revenues, Expenses and Changes in Retained Earnings.

**Inventories**

Inventories of replacement parts are valued at the lower of cost or market using the first-in, first-out method. Office supplies are expensed when purchased and therefore are not included in inventories.

**Property, Plant & Equipment and Depreciation**

Capital Assets are defined by the transit authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Land is shown at cost.

All vehicles are shown at cost. Depreciation is computed on the straight-line method with useful lives of three (3) years for the passenger buses and vehicles and seven (7) years for the metro buses.

MANISTEE COUNTY TRANSPORTATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

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**Note 2 - Summary of Significant Accounting Policies - continued**

Property, Plant & Equipment and Depreciation - continued

Leasehold improvements and equipment are shown at cost. Depreciation is computed on the straight-line method with useful lives of from three (3) to ten (10) years for equipment and ten (10) years for leasehold improvements in accordance with the Michigan Department of Transportation "Replacement Schedule for transit agencies."

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the corporation considers all highly liquid investments with an original maturity of six months or less to be cash equivalents.

Advertising

The Corporation uses advertising to promote its operations. The cost of advertising is expensed as incurred. During the year ended September 30, 2006, advertising cost totaled \$4,220.

**Note 3 - Concentration of Credit Risk**

The carrying amounts of the corporation's deposits as reflected in the accounts of the banks (without recognition of checks written but not yet cleared or of deposits in transit) were \$543,791 at September 30, 2006, of which \$100,000 was covered by federal depository insurance and \$443,791 was uninsured and uncollateralized.

State statutes permit surplus public funds to be invested as follows:

- a. In bonds and other direct obligations of the United States or an Agency or instrumentality of the United States.
- b. In certificates of deposits, savings accounts, or depository receipts of a bank, but only if the financial institution complies with certain requirements included within the act.
- c. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.

MANISTEE COUNTY TRANSPORTATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

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**Note 3 - Concentration of Credit Risk - continued**

- d. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- e. Mutual funds registered under the Investment Company Act of 1940, Title I Chapter 686.54 Stat.739, 15 U.S.C. 80a-1 and 80a-3 and 80a-4 with authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- f. Obligations described in subdivision 9(a) through (g) if purchased through an inter-local agreement under the Urban Cooperation Act of 1967, 1967 PA 7, MCL 124.501 to 124.512.
- g. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.11 to 129.118.
- h. Investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

**Note 4 - Grants Receivable**

At year end the corporation had grants receivable from Federal and State agencies as follows:

MDOT No. 2003-0543/A1	\$ 618
MDOT No.2002-0063-Z6	4,547
Federal Operating Assistance - Fiscal Year 2002	13,154
Federal Operating Assistance - Fiscal Year 2006	28,173
	<u>\$ 46,492</u>

**Note 5 - Grants Payable**

At year end the corporation had grants payable to Federal and State agencies as follows:

State Operating Assistance - Fiscal Year 2005	\$ 66,030
Federal Operating Assistance - Fiscal Year 2003	7,656
Federal Operating Assistance - Fiscal Year 2004	695
Federal Operating Assistance - Fiscal Year 2005	2,859
	<u>\$ 77,240</u>

MANISTEE COUNTY TRANSPORTATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

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**Note 6 - Deferred Compensation Plan**

Manistee County Transportation, Inc. offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent employees and to those independent contractors who are performing services for the corporation, permits them to defer a portion of their salary until future years. The deferred compensation is not available to the plan participants until termination, retirement, death or unforeseeable emergency.

All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

The plan assets are displayed in the financial statements. Further, the plan is administered by Manistee County Transportation, Inc.

A summary of the plan for the year ended September 30, 2006 is as follows:

Balance - September 30, 2005	\$ 358,710
Employee Contributions	501
Employer Contributions	29,717
Net Investment Gain	44,734
Payments to Eligible Participants	<u>(562)</u>
Balance - September 30, 2006	<u>\$ 433,100</u>

Investments in the plan are reported at market. Market value of the investment portfolio at September 30, 2006 and 2005 was \$433,100 and \$358,710 respectively.

Manistee County Transportation, Inc. does not use derivative instruments or products in their deferred compensation plan investment portfolio.

**Note 7 - Commitments**

The physical premises occupied by Manistee County Transportation, Inc. are owned by the County of Manistee. The deed states that the building is to be used exclusively by Manistee County Transportation, Inc. There is currently no lease cost incurred for the use of the building however, Manistee County Transportation, Inc., is responsible for the operation and maintenance of the building.

The property was originally purchased in 1979 by the County of Manistee with a grant from the Michigan Department of Transportation (MDOT). Under the terms of the grant the property is to be used exclusively for public transportation with MDOT retaining it's proportionate interest in the property in the event the property is sold or ceased to be used for public transportation.

MANISTEE COUNTY TRANSPORTATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

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**Note 8 - County Tax Levy**

Manistee County voters approved a five year mileage request in 1996 which provides a tax levy of .33 mills based on the County equalized valuation to be used for the operations of Manistee County Transportation, Inc.

In August 2006 this mileage was renewed by the Manistee County voters for a seven year period covering the years 2006 through 2013.

**Note 9 - Contingent Liability**

In 1996, TES Filer City Station (Tondur) a Manistee County taxpayer, filed a petition with the Michigan Tax Tribunal contesting the 1993, 1994, 1995 and 1996 assessed value, State equalized value and taxable value of its industrial location in Filer Township, Manistee County, Michigan. Tondur has since contested the years 1997 – 2001. If this appeal would have been successful, all of the taxing jurisdictions which benefit from tax dollars generated by Tondur would have been required to pay back these funds and incur a loss of future revenue.

It has been estimated by the County's Equalization director that the potential revenue payback, would have resulted in Manistee County Transportation, Inc., returning \$74,543 for the years 1993 through 2001.

In January of 2004, the Michigan Tax Tribunal ruled against Tondur. The ruling is currently under appeal.

**Note 10 – Vacation and Sick Leave**

Vacation and Sick Leave accumulated during the year is recorded as current fringe benefit expense. As of September 30, 2006, the accumulated sick leave benefits computed for the employees of Manistee County Transportation, Inc., was \$50,228. Accumulated vacation pay included in accrued wages is \$13,431.

Full-time employees and part-time employees receive credit for six discretionary days on January first of each year. Beginning January 1, 1999, these days may not be carried over from one year to the next. Any accumulated discretionary days as of January 1, 1999 may be used, or kept, the same as in the past. However, beginning January 1, 1999 all days must be used in the year they are earned. An employee with an existing accumulation of discretionary days will have the option once each year, to convert any employer specified number of discretionary days to cash at 85% of current value. Employees receive one hundred (100%) percent of sick leave upon retirement or death.

MANISTEE COUNTY TRANSPORTATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006

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**Note 10 – Vacation and Sick Leave - continued**

All employees are entitled to vacation time off, with pay, during each year of employment. Holidays, discretionary days, and vacation days shall be deemed as days worked for vacation purposes. Vacation time allowed is based on years of service as follows:

<u>Years of Service</u>	<u>Vacation</u>
1 year but less than 3	1 week
3 years or more but less than 5	2 weeks
5 years but less than 8	3 weeks
8 or more years	4 weeks

Employees shall take vacation if the transportation schedule permits. If the schedule cannot accommodate the requested time off for the employees vacation, the employee shall receive vacation pay for all vacation time earned by December 31. Management may, at its discretion based on scheduling needs, grant employees who have less than one year of service, vacation time-off.

**Note 11 – Risk Management**

Manistee County Transportation, Inc., is exposed to various risk of loss related to torts; theft of; damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation is insured through the Michigan Municipal Risk Management Authority which is a public risk pool currently operating as a common risk management and insurance program for Michigan Municipalities. The Corporation pays an annual premium to the Michigan Municipal Risk Management Authority for its insurance coverage.

**Note 12 – Informational Summary of Projected Revenues, Expenditures and Method of Financing Capital Projects**

Manistee County Transportation, Inc. has prepared and made available for inspection, the informational summary of projected revenues, expenditures and capital projects costs recommended in section 15, subsection 1 (h), PA 1978, as amended, (MCIA 141 435) MSA 5.3228 (35) and as required in Act 51, 10e (1) (d) (vii).

**Note 13 – Prior Period Adjustments**

During the year ended September 30, 2006 the following adjustments were made to retained earnings as a result of settlements received on prior year contracts as follows:

State Operating Assistance -	
Fiscal Year 2002 Reconciliation	\$ 24,625
Fiscal Year 2003 Reconciliation	(2,463)
Fiscal Year 2004 Reconciliation	(762)
Net Prior Period Adjustments	<u>\$ 21,400</u>

**SUPPLEMENTAL**

**SCHEDULES**



MANISTEE COUNTY TRANSPORTATION, INC.  
OPERATING REVENUES  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

**SCHEDULE 1**

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Operating Revenues:

Demand-Response (Farebox)	\$ 307,070
Auxiliary Transportation Revenue	<u>453</u>
	<u><u>\$ 307,523</u></u>

MANISTEE COUNTY TRANSPORTATION, INC.  
OPERATING EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

**SCHEDULE 2**

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
<u>Labor</u>				
Operator's Salaries and Wages	\$ 314,680	\$ -	\$ -	\$ 314,680
Other Salaries and Wages	53,019	108,923	120,435	282,377
<u>Fringe Benefits</u>	185,503	65,638	49,002	300,143
<u>Services</u>	-	4,666	11,835	16,501
<u>Material and Supplies Consumed</u>				
Fuel and Lubricants	87,160	-	-	87,160
Tires and Tubes	6,837	-	-	6,837
Other Materials and Supplies	14,856	178	4,339	19,373
<u>Utilities</u>	-	-	26,234	26,234
<u>Casualty and Liability Costs</u>				
Premiums for Public Liability and Property Damage Insurance	-	-	77,162	77,162
<u>Taxes and Fees</u>	-	-	85	85
<u>Miscellaneous Expense</u>				
Travel and Meetings	-	-	6,846	6,846
Association Dues and Subscriptions	-	-	359	359
Other Miscellaneous	-	-	1,090	1,090
<u>Depreciation and Amortization</u>	320,081	-	-	320,081
Total Expenses	<u>\$ 982,136</u>	<u>\$ 179,405</u>	<u>\$ 297,387</u>	<u>\$ 1,458,928</u>

MANISTEE COUNTY TRANSPORTATION, INC.  
NON-OPERATING REVENUES - LOCAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

**SCHEDULE 3A**

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<u>Gain on Sale of Assets</u>	<u>\$ 1,251</u>
<u>Local Operating Grants</u>	
Taxes - Manistee County	\$ 295,474
Revenue Sharing - Manistee County	13,414
Other Grant - Manistee County	<u>5,945</u>
Subtotal - Local Operating Grants	<u>\$ 314,833</u>
<u>Interest Income</u>	<u>17,165</u>
Total Non-Operating Revenues	<u><u>\$ 333,249</u></u>

MANISTEE COUNTY TRANSPORTATION, INC.  
NON-OPERATING REVENUES - STATE AND FEDERAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

**SCHEDULE 3B**

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State Operating Grants

Operating Assistance	<u>\$ 479,644</u>
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Federal Operating Grants

R-Tap	\$ 314
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D.O.T. Operating Grant - MDOT No. 2002-0063Z8/R1	<u>193,369</u>
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Total - Federal Operating Grants	<u>\$ 193,683</u>
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Total Non-Operating Revenues - State and Federal	<u><u>\$ 673,327</u></u>
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MANISTEE COUNTY TRANSPORTATION, INC.  
SCHEDULE OF CONTRIBUTED EQUITY  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

**SCHEDULE 4**

	<u>Federal</u>	<u>State</u>	<u>Local Government</u>	<u>Total</u>
<u>Balance - October 1</u>	\$ 904,266	\$ 224,840	\$ -	\$ 1,129,106
Add:				
Grants Received	19,057	4,764	-	23,821
Deduct:				
Cost of Items				
Expensed - Under \$5,000	(4,594)	(1,148)	-	(5,742)
Depreciation of Assets				
Purchased from				
Contributed Equity	<u>(252,031)</u>	<u>(63,492)</u>	<u>-</u>	<u>(315,523)</u>
<u>Balance - September 30</u>	<u>\$ 666,698</u>	<u>\$ 164,964</u>	<u>\$ -</u>	<u>\$ 831,662</u>

MANISTEE COUNTY TRANSPORTATION, INC.  
SCHEDULE OF CAPITAL CONTRCTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

**SCHEDULE 5**

Grantor	Project #	Grant	Grant	Amount	Total	Total
		Period	Amount	Earned this Audit Period	Amount Earned	
		11/25/2003				
State of Michigan		To				
Dept. of Transportation	2002-0063-Z3	11/25/2006	\$ 60,000	\$ -	\$ 30,000	\$ 30,000
		9/10/2004				
State of Michigan		To				
Dept. of Transportation	2002-0063-Z5	9/10/2007	\$ 36,408	-	\$ -	\$ 36,408
		9/19/2003				
State of Michigan		To				
Dept. of Transportation	2003-0543/A1	9/19/2007	\$ 661,260	618	\$ 618	\$ 660,642
		9/14/2004				
State of Michigan		To				
Dept. of Transportation	2002-0063-Z6	9/14/2007	\$ 47,500	23,203	\$ 34,384	\$ 13,116
				<u>\$ 23,821</u>		

MANISTEE COUNTY TRANSPORTATION, INC.  
SCHEDULE OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

**SCHEDULE 6**

	<u>R-Tap</u>	<u>Operations</u>	<u>Total</u>
Labor	\$ -	\$ 597,057	\$ 597,057
Fringe Benefits	-	300,143	300,143
Services	-	16,501	16,501
Material and Supplies	-	113,370	113,370
Utilities	-	26,234	26,234
Casualty and Liability Costs	-	77,162	77,162
Taxes and Fees	-	85	85
Miscellaneous	314	7,981	8,295
Depreciation	-	320,081	320,081
	<u>\$ 314</u>	<u>\$ 1,458,614</u>	<u>\$ 1,458,928</u>

MANISTEE COUNTY TRANSPORTATION, INC.  
NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

**SCHEDULE 7**

	Federal Section 5311	State Operating Assistance
<u>Expenses</u>		
Labor	\$ 597,057	\$ 597,057
Fringe Benefits	300,143	300,143
Services	16,501	16,501
Materials and Supplies	113,370	113,370
Utilities	26,234	26,234
Casualty and Liability Costs	77,162	77,162
Licenses	85	85
Miscellaneous	8,295	8,295
Depreciation	320,081	320,081
Total Expenses	<u>\$ 1,458,928</u>	<u>\$ 1,458,928</u>
<u>Less: Ineligible Expenses</u>		
Bad Debt	\$ 6	\$ 6
Depreciation	315,523	315,523
R-Tap Reimbursements	314	314
Allocated Cost - Meeting Room	129	129
Audit Fees	5,400	-
Entertainment	88	88
Interest	3	3
Total Ineligible Expenses	<u>\$ 321,463</u>	<u>\$ 316,063</u>
<u>Net Eligible Expenses</u>	<u>\$ 1,137,465</u>	<u>\$ 1,142,865</u>
Maximum Section 5311 Reimbursement (17.0%)	<u>\$ 193,369</u>	
Maximum State Operating Assistance (Mandatory Floor)		<u>\$ 479,644</u>



**KALCHER  
VANDERWAL  
TORREY, P.C.**

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LEE W. TORREY, C.P.A.  
JOHN A. SPRATTO, C.P.A.  
DAVID L. RICHARDS, C.P.A., A.B.V.

TRAVERSE CITY  
MANISTEE

**CERTIFIED PUBLIC ACCOUNTANTS**

Of Counsel:  
LEONARD R. KALCHER, C.P.A.

January 3, 2007

Board of Directors  
Manistee County Transportation, Inc.  
180 Memorial Drive  
Manistee, Michigan 49660

As required by the Michigan Department of Transportation, schedules of mileage, vehicle hours and number of passengers transported for the year ended September 30, 2006, are included in this report. The accompanying supplemental information contained in schedules eight (8) and nine (9), for the year ended September 30, 2006, is presented for analytical purposes only and has been compiled by us from information that is the representation of management, without audit or review, and we accordingly do not express an opinion or any other form of assurance on such information.

*Kalcher, Vanderwal & Torrey, P.C.*

Certified Public Accountants

MANISTEE COUNTY TRANSPORTATION, INC.  
MILEAGE DATA  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

**SCHEDULE 8**

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	Public Transportation Mileage	Charter/School Bus Mileage	Demonstration Project Mileage
<u>Demand/Response</u>			
1st Quarter	87,158	-	-
2nd Quarter	91,111	-	-
3rd Quarter	84,454	-	-
4th Quarter	51,619	-	-
Total Operations	314,342	-	-

Note: Manistee County Transportation, Inc., operates all of its buses on a demand response basis.  
There are no buses run on a strict line-haul basis.

The methodology used for compiling mileage has been reviewed by us and found to be an adequate and reliable method for recording vehicle mileage.

See Accountant's Compilation Report.

MANISTEE COUNTY TRANSPORTATION, INC.  
PASSENGERS AND VEHICLE HOURS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

**SCHEDULE 9**

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	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total Operations
<u>Demand - Response</u>					
Regular	9,670	10,119	11,313	8,554	39,656
Senior	2,249	2,063	2,400	3,796	10,508
Handicapped	7,297	6,944	6,581	5,496	26,318
Handicapped Senior	745	640	621	731	2,737
Total	<u>19,961</u>	<u>19,766</u>	<u>20,915</u>	<u>18,577</u>	<u>79,219</u>
 <u>Vehicle Hours</u>	 <u>5,105</u>	 <u>5,144</u>	 <u>4,952</u>	 <u>4,719</u>	 <u>19,920</u>

See Accountant's Compilation Report.

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TRAVERSE CITY  
MANISTEE

Of Counsel:  
LEONARD R. KALCHER, C.P.A.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS

January 3, 2007

Board of Directors  
Manistee County Transportation, Inc.  
180 Memorial Drive  
Manistee, Michigan 49660

We have audited the financial statements of Manistee County Transportation, Inc. for the year ended September 30, 2006, and have issued our report thereon dated January 3, 2007. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Manistee County Transportation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Manistee County Transportation, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by

employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving internal control over financial reporting that we have reported to the management of Manistee County Transportation, Inc. in a separate letter dated January 3, 2007.

This report is intended for the information of The Board of Directors, management and the Michigan Department of Treasury. However, this report is a matter of public record and its distribution is not limited.

*Kalcher, Vandewort & Toney, P.C.*  
Certified Public Accountants

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TRAVERSE CITY  
MANISTEE

**CERTIFIED PUBLIC ACCOUNTANTS**

Of Counsel:  
LEONARD R. KALCHER, C.P.A.

January 3, 2007

To the Board of Directors  
Manistee County Transportation, Inc.  
180 Memorial Drive  
Manistee, Michigan 49660

In planning and performing our audit of the financial statements of Manistee County Transportation, Inc. for the year ended September 30, 2006, we considered the corporation's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are an opportunity for strengthening internal controls and operating efficiency. Our comments and recommendations regarding these matters are as follows:

Credit Card Policy

During our inquiries of management, we became aware that Manistee County Transportation, Inc. has not adopted a credit card policy. The Michigan Department of Treasury, *Local Public Transit Revenue and Expense Manual* states that "A transit authority must adopt a credit card policy in accordance with Public Act 266 of 1965 by resolution." The manual goes on to list the items that should be contained in the written policy.

In order to be in compliance with state law, we recommend that Manistee County Transportation, Inc. adopt a written credit card policy following the outline contained in the revenue and expense manual.

Daily Vehicle Checklist

During our testing of the bus mileage records we noted instances when the Daily Vehicle Checklists showing the starting and ending mileage were not initialed by the mechanic recording the mileage.

In order to ensure that the methodology for computing vehicle miles is adequate, we recommend that all of the Daily Vehicle Checklists be initialed by the mechanic recording the mileage. Management should review these checklists and follow up on any omissions.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

Sincerely,

*Kaleher, Vandewort & Torrey, P.C.*

Certified Public Accountants